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CONFIDENTIALCENTRAL INTELLIGENCE AGENCY
INFORMATION REPORT

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SUBJECT Cotton Market Reaction to Heavy Chinese BuyingPLACE ACQUIRED
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1. Demand [redacted] has been quiet, but this has been offset by the unexpected buyings of China with whom the price consideration is a secondary thing, since she is unable to secure her cotton requirements from the US..
2. China, during the week, turned out to be active buyer and contracted about 65 thousand bales. This brings her total purchase of the season to about 186 thousand bales, and judging by her purchases, it is hoped China will be the biggest buyer this year, as against the usual Japan. Local mills have been steady buyers for fear of a tight supply position developing towards the end of the season, if China made further purchases. Purchases by domestic mills for the past six months are estimated at about four and one half lacs bales out of which 280 thousand bales for upcountry mills in Punjab, Sind, and also Bahawalpur State, and 30 to 35 thousand bales for East Bengal mills, and Karachi mills will consume about 140 to 145 thousand bales.
3. The week's exports were about 32 thousand bales as follows:

China	about	13,500 bales
Japan	"	7,500 "
Continental ports	"	6,500 "
US	"	1,250 "
East Bengal	"	500 "
4. The Karachi market is sensitive for a wide fluctuation on any fresh incoming news. The main factors are the ceiling prices of MITI (Ministry of International Trade and Industry), Japan and Chinese enquiry. We understand that Japan, out of the funds released to the mills to buy 56 thousand bales of Pakistan cotton, has switched over the major portion of these funds to purchase US cotton, because at that time the Pakistan cotton prices were about a minimum ten percent higher than the selling prices fixed by MITI.

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5. The funds to purchase the remaining 190 thousand bales of Pakistan cotton should be released to the Japanese mills by the end of Mar 54, under the terms of Pakistan-Japan Trade Agreement, as Pakistan has already issued import licenses to purchase Japanese cotton cloth. Nevertheless, the news coming from Japan is of a very pessimistic nature, and it is doubtful whether the Japanese mills will buy Pakistan cotton against imports allocation which will be issued to them, because the Pakistan cotton prices are at the moment 12 percent higher than the world cotton prices due to the recent heavy buying of China. It is probable that Japanese mills may ask MITI to switch over to US cotton if Pakistan cotton prices do not fall in line with the world cotton prices. However, it is certain that it will not be possible for Japan to suspend the purchase of all the 260 thousand bales of Pakistan cotton scheduled to be imported during the Mar-Oct 54 period as per the Pakistan-Japan Trade Agreement.
6. We give below authentic statistical figures country-wise of the export of Pakistan cotton during the period 1 Sep 53 to 27 Mar 54:

	Old Crop	New Crop	Bales
Africa	519	800	
Australia	1,417	21,961	
Austria	--	1,817	
Belgium	5,004	12,602	
Burma	1,000	--	
Ceylon	--	300	
China	--	188,000	
Denmark	--	770	
France	5,009	51,982	
Germany	4,432	35,212	
Holland	575	3,421	
Hong Kong	14,389	43,602	
Italy	14,068	27,249	
Japan	31,955	151,523	
Pondicherry	6,656	5,492	
Portugal	--	55	
Spain	460	10,144	
Switzerland	--	343	
Sweden	--	9,650	
UK	20,722	66,986	
US	50	11,169	
TOTAL	106,256	642,778	

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